

**Testimony from Brian M. Daniels, Executive Director  
Governor's Budget Request (H 6122), Article 11 – Adult Use Marijuana  
House Committee on Finance – April 29, 2021**

Thank you, Chairman Abney and members of the Finance Committee, for the opportunity to submit testimony on Article 11 of the budget, regarding adult use marijuana. League members have had extensive discussions on this topic in recent years. What our mayors, town managers and councilmembers have heard from their counterparts in other states is that, **if Rhode Island legalizes marijuana, our cities and towns will bear most of the direct burden.** While the Governor's budget proposal envisions regulation and licensing at the state level, our communities will need to deal with the implementation and public concerns. As we have seen in Massachusetts, retail stores often bring traffic and congestion, while local public safety will need to respond to emergency calls and complaints about nuisance properties.

**League Opposes Opt-Out Referenda; Local Decisions Should be Made by Council Action**

Our thirty-nine members may differ on whether they want marijuana facilities and sales in their respective communities, but they are united in their belief that it should be a local decision. Article XIII of the state constitution endorses home rule and self-governance for our cities and towns. We elect councilmembers, mayors and other officials to make decisions about local finance, public safety, education and other issues that shape and define our communities. The League firmly believes that **the decision to approve or deny the allowance of marijuana facilities and sales must be a local one.**

**Our members oppose the mandatory opt-out ballot referendum and prefer the use of municipal ordinances to ensure local control of these important decisions.** As currently proposed in the Governor's budget, the vote would be administered via special election. As committee members know, special elections are costly to administer and have historically low turnout. Our local officials are concerned that **a special election would lead to a flood of special interest money in support of legalized marijuana and that a small number of voters would effectively make a permanent decision for the entire community.** Special elections also require months to plan and implement. If the General Assembly passes marijuana legalization in June 2021, with a referendum required by November 2021, local governments will not have sufficient time to deliberate whether to pursue a special referendum in their communities. Special elections will also lead to unbudgeted costs, as most communities will have completed their local budgets by the end of June.

### **Local Governments Request Fair Revenue Sharing**

The Governor's budget proposal allows for local revenue sharing – about 3% of sales – distributed by the state across communities through a complex formula, with communities that have more retail businesses and sales receiving more revenue. While some communities appreciate the Governor's intent to share state funds across all communities, **our members generally prefer that taxes and fees go directly to the municipality.** As we have seen in recent years, when facing deficits, the state can scoop money from restricted receipt accounts or reduce municipal aid. While Governor McKee has been a champion for local government, we cannot guarantee his current proposal for revenue sharing will be honored in future years. For that reason, we support allowing a local sales tax of at least 3%, remitted directly to the city or town – the same approach as in Massachusetts and similar to the Senate proposal (S 0568),

The Governor's budget proposal also specifically prohibits community host agreements, which Massachusetts cities and towns may use to set conditions on facility operations to address local concerns. In Massachusetts, communities may charge fees up to 3% of sales in addition to the local sales tax to mitigate broader impacts, and communities have used those funds to invest in schools and infrastructure. Instead, the Governor's budget proposal allows temporary impact fees, but only for the first three months of operation. Given the numerous costs from new marijuana facilities and stores, **we believe that impact fees should be extended longer than three months to reflect local needs. We also support the municipal safety grants** that are included in the Governor's proposal, which would provide direct assistance to local public safety offices to address the impacts of legalized marijuana on law enforcement and public health.

### **Educational Outreach and Treatment Funds for Communities**

Any legalization proposal should **robustly support public education campaigns and treatment for substance use disorders through community-based health initiatives.** Currently, the Governor's budget proposal reinvests a portion of revenues for state agencies to enhance treatment, prevention, and surveillance capacity. It would also dedicate funds for education and outreach through Rhode Island's health equity zone (HEZ) collaboratives. Ultimately, educational outreach and treatment funds must be spent in our communities – supporting local organizations and providers that recognize the needs and challenges of each city and town.

### **State Licensing Decisions Have Local Impacts**

The Governor proposes an Office of Cannabis Regulation (OCR) within the Department of Business Regulation (DBR), while the Senate proposal would create a new, independent Cannabis Control Commission (CCC). These entities would have near-unilateral authority in determining how many retail establishments would be licensed and where they would operate. No matter how many licenses are authorized, cities and towns should have substantial input into the application review process.

**Any state licensing authority should set reasonable limits on the number and location of licensed establishments and ensure that all facilities comply with local zoning, public safety and other relevant requirements.** The Senate proposal would establish an independent authority and allocate three retail licenses per community under 30,000 residents, with an additional license permitted for each 10,000 residents above 30,000. This approach could authorize nearly 150 retail establishments statewide, overwhelming all cities and towns.

The Governor proposes a centralized licensing system through the Office of Cannabis Regulation and the Department of Business Regulation. The Governor's budget proposal would permit 25 retail licenses per year over three years, which is more reasonable than the Senate target. **However, the state authority must ensure equitable geographic distribution of retail establishments so that some communities do not bear disproportionate impacts**

**Personnel Policies Must Protect Public Safety**

Finally, our members – like many employers – are concerned about workforce management issues that could result from marijuana legalization. Those employees in public works, public safety or other important positions could cause harm to the public if they were impaired at work.

Fortunately, Article 11 allows employers to establish policies prohibiting the use or possession of marijuana in the workplace and/or working under the influence. This proposal appears to give employers greater authority to conduct disciplinary action or terminate an employee whose drug test shows he/she was under the influence or impaired at work – a provision that we support. Further, we endorse the language allowing employers to request confirmation from the Department of Health that an employee holds a medical marijuana card. We would also like to see language from S 0568 incorporated into any final proposal that would clarify that employers are not required to pay for the medical use of cannabis through health insurance or workers compensation.

Again, we believe that marijuana legalization will have a major impact on our communities, and local governments should have sufficient operational control, oversight and resources in any legalization proposal. Thank you for your consideration of our views.